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How to calculate annual leave payment in ethiopia

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Annual Leave: A Fundamental Right for All Workers As per the Ethiopian Constitution and Labour Proclamation No. 1156/2019, workers are entitled to a minimum of 16 uninterrupted working days of annual leave, which increases by one day every two years of service. This leave is taken with full salary, equivalent to what the worker would have earned had they continued working. The law clarifies that only wages or salaries are considered as part of an employee's remuneration, excluding over-time pay, bonuses, commissions, and other incentives. This means employees can only receive their basic wage during annual leave. All workers, regardless of whether they are under probation or have completed it, are entitled to the same minimum annual leave of 16 working days. A worker who has completed their probation period and becomes ill or injured (excluding work-related injuries) is eligible for sick leave. However, there is no restriction on taking annual leave during the probationary period, and employees can request and be granted leave without consequences. Employers have the right to create a schedule for annual leave, considering both employee interests and business needs. Dividing annual leave into smaller portions (e.g., two days per month) is not permitted; instead, it must be taken in bulk or divided into at most two equal or unequal parts with the employer's agreement. The Labour Proclamation restricts suspension of annual leave due to illness only for inpatients admitted to hospitals, and employees cannot claim rest without being an inpatient. Public holidays that fall on annual leave may also suspend the leave, but this is not explicitly stated by law. Annual leave can be postponed with employee consent or if operational requirements dictate, but the Labour Proclamation limits postponement to a maximum of two years. The utilization of annual leave is crucial, and its non-usage cannot be compensated by wages. The notion that annual leave expires after two years is unfounded. Annual leave must be taken as a leave, not incorporated into wages, regardless of employee and employer agreements. Any attempt to waive this right is null and void. While there are circumstances where wages can be paid in lieu of annual leave, termination of employment or recall from leave are the only exceptions recognized by law. In cases of termination or recall, employees have the right to receive payment for unused annual leave. However, the law emphasizes that leave should not be substituted with payment; instead, it should be taken and respected as a minimum working condition. The main objective is to allow employees to rest and recharge, ensuring they return to work more refreshed and energized. The labour law aims to strike a balance between employee rights and business needs by setting the amount of time for annual leave and related rights. Employers are permitted to create schedules for employees' annual leaves and recall them in exceptional circumstances where the undertaking faces unforeseen challenges. dmethiolawyers.com is the official email address for contacting them.